

## Message Text

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42

ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 OPIC-03 XMB-02 PA-01 PRS-01 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-03 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 FRB-03 IGA-01 /100 W  
----- 101671

R 272126Z JUN 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 9257

INFO AMEMBASSY PORT OF SPAIN

AMCONSUL CURACAO

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E.O. 11652: N/A

TAGS: ENRG PINT VE

SUBJECT: CHAMBER OF DEPUTIES BEGINS DEBATE ON ARTICLE 5 OF  
THE PETROLEUM NATIONALIZATION BILL

REF: CARACAS 6404

BEGIN SUMMARY: THIS WEEK THE CHAMBER OF DEPUTIES APPROVED  
ARTICLES 1-4 OF THE PETROLEUM NATIONALIZATION BILL AND COMMENCED  
DEBATE ON CONTROVERSIAL ARTICLE 5, THE ADMINISTRATION VERSION OF  
WHICH WOULD ALLOW FOREIGN PRIVATE ENTERPRISE A ROLE IN THE  
NATIONALIZED OIL INDUSTRY. THIS FEATURE IS STRONGLY OPPOSED  
BY MOST OF THE OPPOSITION PARTIES, AND COPEI HAS NOW PROPOSED  
A COMPROMISE ARTICLE 5 WHICH WOULD ALLOW "ASSOCIATION AGREEMENTS"  
(EXCEPT FOR DEVELOPMENT OF THE ORINOCO TAR BELT) BUT FORBID  
MIXED COMPANIES TO OPERATE IN THE NATIONALIZED PETROLEUM  
INDUSTRY. END SUMMARY  
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1. ON JUNE 23 THE CHAMBER OF DEPUTIES TOOK ITS FIRST VOTE ON

THE PETROLEUM NATIONALIZATION BILL, APPROVING ARTICLE 1, WHICH RESERVES TO THE GOV OIL EXPLORATION, EXPLOITATION, REFINING AND INSTALLATIONS IN VENEZUELA, AS WELL AS FOREIGN AND DOMESTIC TRADE IN PETROLEUM. ARTICLE 1 ALSO STIPULATES THAT THE PETROLEUM CONCESSIONS WILL EXPIRE 120 DAYS AFTER THE NATIONALIZATION LAW IS PROMULGATED. COPEI REQUESTED THAT THE CHAMBER VOTE ON EACH OF ARTICLE 1'S THREE PARAGRAPHS TO ENABLE COPEI AND OTHER OPPOSITION PARTIES TO RECORD THEIR OBJECTION TO THE 120-DAY CLAUSE. THIS REQUEST WAS VOTED DOWN BY THE AD MAJORITY, AND WHEN THE VOTE WAS TAKEN ON ARTICLE 1 AS A WHOLE, COPEI, MEP, MAS, FDP, MIR AND THE PCV ABSTAINED, WHILE THE PEREZ JIMENISTAS VOTED AGAINST IT. THE ARTICLE WAS EASILY CARRIED, HOWEVER, BY THE AD MAJORITY IN THE DEPUTIES, THE URD AND THE CCN ALSO VOTING WITH THE ADECOS.

2. FOLLOWING A ONE-DAY RECESS ON THE JUNE 24 NATIONAL HOLIDAY COMMEMORATING THE BATTLE OF CARABOBO, THE CHAMBER QUICKLY APPROVED ON JUNE 25 THE NON-CONTROVERSIAL ARTICLES 2, 3 AND 4 AND BEGAN DEBATE ON THE CONTROVERSIAL ARTICLE 5.

3. AD PROMPTLY ANNOUNCED THAT IT WOULD SUPPORT THE ORIGINAL ADMINISTRATION VERSION OF ARTICLE 5, STRONGLY BACKED BY PRESIDENT PEREZ, WHICH PERMITS THE GOV TO ENTER INTO MIXED ENTERPRISES SUBJECT TO THE PRIOR APPROVAL OF CONGRESS, RATHER THAN THE VERSION OF ARTICLE 5 PROPOSED AS A COMPROMISE BY THE MINES AND HYDROCARBONS COMMITTEE ON JUNE 2 (CARACAS 5855).

4. ON JUNE 26 COPEI PROPOSED YET ANOTHER ALTERNATE ARTICLE 5. COPEI'S NEW VERSION WOULD PERMIT THE GOV TO ENTER INTO ASSOCIATION AGREEMENTS WITH PRIVATE ENTITIES FOR FIXED PERIODS, SUBJECT TO THE PRIOR APPROVAL OF CONGRESS. HOWEVER, THE COPEI PROPOSAL FORBIDS ASSOCIATION AGREEMENTS FOR THE DEVELOPMENT OF THE ORINOCO TAR BELT AS WELL AS THE ESTABLISHMENT OF MIXED ENTERPRISES OF ANY KIND IN THE NATIONALIZED OIL INDUSTRY. THE COPEI PROPOSAL ALSO FORBIDS THE GOV FROM ENTERING INTO ASSOCIATION AGREEMENTS UNTIL CONGRESS PASSES A SEPARATE LAW REGULATING THE ASSOCIATION AGREEMENTS. THE CHAMBER OF DEPUTIES ADJOURNED THE NIGHT OF JUNE 25 IN ORDER TO STUDY THE COPEI PROPOSAL.

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5. COMMENT: COPEI BELIEVES THAT ITS NEW VERSION OF ARTICLE 5 IS ACCEPTABLE TO MOST OF THE OPPOSITION, THAT IT WILL ATTRACT MUCH SUPPORT FROM MANY ADECO LEGISLATORS, AND THAT THE LATTER WILL PUT HEAVY PRESSURE ON PRESIDENT PEREZ TO ACCEPT THIS COMPROMISE. AD LEADERS HOPE THAT DEBATE ON ARTICLE 5 WILL BE COMPLETED IN THE CHAMBER OF DEPUTIES BY JULY 5, THE ANNIVERSARY OF VENEZUELA'S NATIONAL INDEPENDENCE. THE COMING WEEK THEREFORE WILL PROBABLY DETERMINE THE SHAPE WHICH THE KEY ARTICLE 5 WILL

TAKE IN THE FINAL NATIONALIZATION BILL.  
SHLAUDEMAM

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## Message Attributes

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